

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

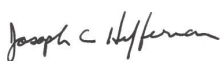
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

**District Court Funds of District No. 5 I
Charter Township of Waterford
Oakland County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2006**

District Court Funds of District No. 5 I Charter Township of Waterford

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Independent Auditor's Report

To the District Judges of the 51st District
Charter Township of Waterford
Oakland County, Michigan

We have audited the basic financial statement of the District Court Funds of District No. 51, Charter Township of Waterford as of December 31, 2006. This financial statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the District Court Funds of District No. 51, Charter Township of Waterford as of December 31, 2006, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the District Court Funds of District No. 51, Charter Township of Waterford's basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statement. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Plante & Moran, PLLC

May 25, 2007



District Court Funds of District No. 51

Charter Township of Waterford

Management's Discussion and Analysis

Our discussion and analysis of the District Court Funds of District No. 51, Charter Township of Waterford's financial performance provides an overview of the District Court's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the District Court's financial statements.

Using this Financial Report

This financial report represents the activities of the funds of the District Court during the year. The funds of the District Court are Agency Funds. Therefore, the activities are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. A detailed schedule of collections and disbursements is shown in the other supplemental information portion of the financial report.

The District Court as a Whole

The following table shows, in a condensed format, the assets and liabilities as of the current date and compared to the prior year:

	2006	2005
Assets - Cash and cash equivalents	<u>\$ 243,888</u>	<u>\$ 286,949</u>
Liabilities		
Returnable bonds	\$ 80,771	\$ 124,441
Due to:		
State treasurer	42,222	38,734
Charter Township of Waterford	102,065	104,281
Other governmental units	17,600	18,563
Secretary of State	<u>1,230</u>	<u>930</u>
Total liabilities	<u>\$ 243,888</u>	<u>\$ 286,949</u>

The District Court's combined assets and liabilities decreased 15 percent from a year ago - decreasing from \$286,949 to \$243,888. This decrease is due to a decline in case filings through December 2006 compared to December 2005. Since case filings decreased, cash was lower and the amount that had not yet been remitted to the other governmental units decreased as well.

District Court Funds of District No. 5 I Charter Township of Waterford

Management's Discussion and Analysis (Continued)

Contacting the District Court's Management

This financial report is intended to provide our citizens and customers with a general overview of the District Court's activities and to show the District Court's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the District Court directly.

District Court Funds of District No. 5 I

Charter Township of Waterford

Statement of Net Assets

Fiduciary Funds

December 31, 2006

	Agency Funds		
	Depository Account	Bond Account	Total
Assets - Cash and cash equivalents (Note 2)	<u>\$ 163,117</u>	<u>\$ 80,771</u>	<u>\$ 243,888</u>
Liabilities			
Returnable bonds	\$ -	\$ 80,771	\$ 80,771
Due to:			
State Treasurer	42,222	-	42,222
Charter Township of Waterford	102,065	-	102,065
Other governmental units	17,600	-	17,600
Secretary of State	<u>1,230</u>	<u>-</u>	<u>1,230</u>
Total liabilities	<u>\$ 163,117</u>	<u>\$ 80,771</u>	<u>\$ 243,888</u>

District Court Funds of District No. 51 Charter Township of Waterford

Notes to Financial Statement December 31, 2006

Note 1 - Significant Accounting Policies

The accounting policies of District Court Funds of District No. 51, Charter Township of Waterford, Michigan (the "District Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The District Court is governed by two elected judges. There are no component units.

The following is a summary of the significant accounting policies used by the District Court Funds of District No. 51:

The funds of the District Court are Agency Funds. The financial activities of the funds are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the limits of the Charter Township of Waterford.

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The District Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The District Court's deposit and investment policies are in accordance with statutory authority.

The District Court has designated one bank for the deposit of its funds. The investment policy adopted by the District Court in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

District Court Funds of District No. 5 I

Charter Township of Waterford

Notes to Financial Statement

December 31, 2006

Note 2 - Cash and Cash Equivalents (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the District Court had \$135,530 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Court Operations

The costs relating to the operation of the District Court (including risk management) are a budgeted item of the Charter Township of Waterford, Michigan's General Fund and, accordingly, such costs are paid by the General Fund.

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court has purchased commercial insurance for medical benefit claims and participates with the Charter Township of Waterford in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to property loss, torts, and errors and omissions; the District Court participates in the Charter Township of Waterford's self-insurance program for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the insured.

District Court Funds of District No. 5 I Charter Township of Waterford

**Notes to Financial Statement
December 31, 2006**

Note 3 - Court Operations (Continued)

The Charter Township of Waterford estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The District Court shares this risk with the Charter Township of Waterford, which has recorded this estimated liability for the entire program. Any liability allocable to the District Court is not considered to be significant.

Other Supplemental Information

District Court Funds of District No. 5 I

Charter Township of Waterford

Other Supplemental Information

Schedule of Cash Receipts and Disbursements

Year Ended December 31, 2006

	Depository Account	Bond Account
Cash and Cash Equivalents - January 1, 2006	\$ 162,508	\$ 124,441
Receipts		
Fines, fees, and court costs	2,079,777	-
Programs	48,480	-
Probation costs	154,893	-
Restitution	15,954	-
Bonds posted	-	196,882
Civil trust	-	79,205
Interest income	-	2,161
Total receipts	2,299,104	278,248
Disbursements		
Transfers to Charter Township of Waterford	1,646,610	-
Penal fines	28,588	-
State treasurer	588,095	-
Restitution	15,357	-
FAC	19,845	-
Net bonds returned	-	242,814
Civil trust	-	79,104
Total disbursements	2,298,495	321,918
Cash and Cash Equivalents - December 31, 2006	\$ 163,117	\$ 80,771



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May 25, 2007

To the Honorable Judge Phyllis McMillen
Charter Township of Waterford
5100 Civic Center Drive
Waterford, MI 48329

Dear Judge McMillen:

We have recently completed the audit of the financial statements of District Court Funds of District Court No. 51, Charter Township of Waterford, Michigan (the "Court") for the year ended December 31, 2006. As a result of our audit, we have the following comments and recommendations for your review and consideration.

It was noted during testing in the current year that while a reconciliation between cash receipts and cash disbursements was performed, there was a difference that could not be reconciled. We recommend that the Court ensure that the receipts and disbursements tie out to monthly transmittals.

During testing we also noted that there is no formal request to write a check. Checks are written based on information orally received from the Court clerks. We recommend that checks should be written based on a formal request and documentation be maintained with the case file.

Due to the size of the Court, it is difficult to achieve a strong segregation of duties. The individual that prepares the bank reconciliations has the ability to sign checks and post entries to the general ledger. Checks require only one signature. These checks are not reviewed regularly before they are disbursed for payment. The Court has recently taken steps to institute stronger oversight in this area. In order to continue this improvement, bank reconciliations should be reviewed by an individual who does not prepare them. Also, all signed checks should be reviewed by an individual independent of the individual who signed them or two signatures should be required on each check.

To the Honorable Judge Phyllis McMillen
Charter Township of Waterford

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May 25, 2007

We would like to thank the Court staff again this year for the cooperation and assistance they provided during the audit. If you have any questions or would like to discuss these items further, please contact us at your convenience.

Yours truly,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Joseph C. Heffernan". The signature is written in a cursive, slightly slanted style.

Joseph C. Heffernan

A handwritten signature in black ink that reads "Pamela L. Hill". The signature is written in a cursive, slightly slanted style.

Pamela L. Hill